

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2522-16
Bill No.: Truly Agreed to and Finally Passed SS for SCS for HB 1196
Subject: Transportation; Roads and Highways; Transportation Dept.; Taxation and Revenue - General; Motor Fuel; Revenue Dept.; Licenses - Motor Vehicle
Type: Original
Date: May 24, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$0	(\$2,550,000)	(\$5,100,000)
State Road	\$125,817	\$6,263,536	\$2,327,386
Aviation Trust	\$0	\$2,550,000	\$5,100,000
Total Estimated Net Effect on <u>All</u> State Funds	\$125,817	\$6,263,536	\$2,327,386

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$3,227,280	\$3,227,280

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

SECTION 136.055 - License and Driver License Fees

Officials with the **Department of Revenue (DOR)** estimated that the imposition of the Fee Office fees on Branch Office transactions would bring in approximately \$12,909,121.

Driver and Vehicle Services Bureau (DVSb)

They estimated the requirement that DOR collect fee-agent fees on branch and central office transactions would cause expenses of **\$51,780 for FY03** for modifications to policies and procedures, postage, titling manuals, envelopes, etc. Currently the DVSb's titling manual is distributed to dealers, lienholders, and title services (estimated 25,000 customers). There are approximately 25 pages that currently reference fees charged by branch offices. These pages will be required to be updated, based on this part of this bill. It is estimated that the cost for updating pages, envelopes and postage for the titling manual to be \$2.05 per manual. $\$2.05 \times 25,000 = \$51,250$. In addition, it will require DOR to update branch office manuals. The cost for updating branch office manuals is approximately \$530. This includes manual updates, envelopes and postage. DOR will incur costs in FY03 to ensure appropriate fees are being collected beginning July 1, 2003.

Information Technology Bureau

These provisions will require programming modifications to numerous DOR systems to allow for the collection of these additional fees. The systems which would be modified "in-house" include the Uniformed Field Office System (UFOS), Missouri Transportation Accounting System (MTAS), Missouri Driver License System (MODL) and Over-the-Counter (OTC). The Information Technology Bureau within the Division of Motor Vehicle and Drivers Licensing estimates it will incur the following programming costs in FY03 to ensure appropriate programming is completed so fees can be collected beginning July 1, 2003.

UFOS & MTAS = **\$28,361**

MODL & OTC (in-house) = **\$11,088**

MTAS = **\$900**

This section will also require modifications to OTC that can only be made through the current contract vendor DIGIMARC, Inc. The contract vendor estimates this will require approximately 60 hours of programming at \$100 per hour = **\$6,000**

SECTION 142.803 - Removal of Sunset Clause for the 1992 motor fuel tax increase

Officials with the **Department of Transportation (MoDOT)** notes that the proposal would
ASSUMPTION (continued)

remove the sunset clause for the previously approved \$0.06 fuel tax increase that is currently scheduled to expire on April 1, 2008

MoDOT anticipates as a long term implication the removal of the sunset clause would be to prevent the loss of fuel tax revenues as follows: FY 2008--\$20,837,000; FY 2009--\$253,047,000.

SECTION 144.805 - Removal of limitations on transfers to the Aviation Trust Fund (and extension of the sunset date from December 31, 2003 to December 31, 2008) and SECTION 305.230 - State aeronautics program

Officials with the **Office of Administration – Budget and Planning (BAP)** assume this proposal removes the sunset on the transfer of sales and use tax on jet fuel to the Aviation Trust Fund and increases by \$1 million the cap that limits the transfer to \$5 million annually. If the sunset was not removed this money would go to General Revenue (GR) starting on 1/1/04. In calendar years (CY) 2000 and 2001 sales and use tax on jet fuel was \$5.1 million annually. If the sunset was not removed, GR would receive \$2,550,000 in fiscal year (FY) 04 for the collections in the first half of CY 04, and \$5,100,000 in FY 05. Removing the sunset is a loss to GR and a gain to the Aviation Trust Fund.

BAP notes that since they do not directly collect the motor fuel tax receipts, any revenue or cost derived from repealing the sunset on the motor fuel tax is unknown.

MoDOT officials assume the legislation would particularly affect the Aviation program, since taxes collected upon aviation jet fuel are deposited in the Aviation Trust Fund and used to fund airport construction and improvements. The proposal would eliminate the cap on the amount of aviation jet fuel taxes that may be deposited in the Aviation Trust Fund. The cap is \$5,000,000 per year. The proposal would also reduce the amount of local matching funds political subdivisions would have to provide toward completion of an airport improvement project from 20% to 10%. This change in the matching percentage would make the program consistent with the federal program (and make larger projects more affordable for smaller rural airports).

MoDOT officials note that currently, aviation fuel tax collections are approximately \$4.5 million per year, which is within the \$5 million per year limit established under current law. The proposed legislation increases the \$5 million limit on collections of jet fuel taxes to \$6 million but it also extends the fuel tax exemption for certain carriers. Therefore, the proposed legislation is not expected to generate any additional revenues for airport construction and improvements.

The legislation would also allow MoDOT to continue funding the Aviation program through December 31, 2008.

ASSUMPTION (continued)

Oversight assumes that Local Governments would realize cost savings of matching dollars due

the proposal reducing matching percentages from 20% to 10%. However the amount of savings is not known.

SECTION 155.080 - Aviation Fuel Tax refunds for commercial agricultural aircraft use

Oversight assumes that, since the “unclaimed” refunds will continue to be deposited in the Aviation Trust Fund, there will be no fiscal impact.

SECTIONS 226.540 through 226.585 - Billboard Regulation

Officials with the **Department of Transportation (MoDOT)** stated the total number of permits issued from applications received between October 1999 and December 2000 was 746. The total number of permits were divided by the 15 months in the period to arrive at the average number of permits per month from applications (746 total permits/15 months = 50 average number of permits per month). The average number of permits per month were then multiplied times the number of months in a year to arrive at the average number of permits per year (50 X 12 = 600). The average number of permits in a year were multiplied times the difference in the increase permit fee and the current permit fee to arrive at a \$102,900 increase in revenue from the proposed increase in application fee ($[600(\$200.00 - \$28.50)] = \$102,900$).

MoDOT notes that currently, there are 11,260 non-exempt signs in Missouri. These signs are due to be renewed every two years, therefore the number of non-exempt signs were divided by 2 to arrive at the average number of permit renewals per year (11,260 non-exempt signs/2 years = 5,630 average permit renewals/yr). The average number of permit renewals per year were then multiplied times the difference in the FY03, FY04 and FY05 increase permit renewal fee and the current permit renewal fee to arrive at the increase in revenue from the proposed increase in renewal fee for FY03 - $[5,630(\$50.00 - \$28.50)] = \$121,045$; FY04 - $[5,630(\$75 - \$28.50)] = \$261,795$; and FY05 - $[5,630(\$100 - \$28.50)] = \$402,545$. The total increase in revenue from the proposed increase in renewal fee would be \$785,385.

The total increase in revenue from this legislation will be \$186,621 for 10 months in FY03 (\$85,750 increase in application fee + \$100,871 increase in the renewal fee); \$364,695 for FY04 (\$102,900 increase in application fee + \$261,795 for the increase in the renewal fee); and \$505,445 for FY05 (\$102,900 increase in the application fee + \$402,545 increase in the renewal fee). **Oversight** assumes that because the proposal contains an emergency clause, the total revenue increase in FY 2003 would be \$223,946 for 12 months.

Department of Transportation officials noted that officials of the Jefferson City Division Office of the Federal Highway Administration believe that extensions and cutouts on non-conforming ASSUMPTION (continued)

signs are upgrades and not allowed under federal regulations pursuant to 23 C.F.R. 750.707(d)(5). Extensions and cutouts are allowed in 226.540(2)(a). If this language remains in

the proposal Missouri could be penalized 5% of a its highway apportionment in the first year of noncompliance and 10% in subsequent years. **Oversight** notes that there would need to be a final determination that Missouri is out of compliance and that even after that determination Missouri would probably be given a change to be in compliance before penalties would be administered. Therefore, no penalties are shown in the period covered in this fiscal note.

SECTION 226.220 - Limits on Highway Fund Expenditures for State Agencies

Officials of the **Department of Transportation** estimate that removing the Highway Patrol from the cap on Highway Fund appropriations could, depending upon appropriations, increase costs to the Fund by \$3,783,000 in FY 2004 and \$7,860,000 in FY 2005. (They estimate increases of 3% per year in Patrol appropriations)

Officials with the **Department of Public Safety – Missouri State Highway Patrol (MHP)** assume the proposal would not have a measurable fiscal impact on their agency.

SECTION 227.107 - Design/Build Contracts

Budget And Planning officials note that they are unaware of any revenue or cost implications associated with MoDOT design-build contracts.

MoDOT officials stated that the legislation would authorize MoDOT to enter into up to three Design/Build contracts. The Highways and Transportation Commission would choose two projects from projects approved for the fifteen-year plan of 1992.

MoDOT assumes the legislation could have an impact upon the cost of highway projects and maintenance activities; however, whether the impact will be positive or negative is unknown. MoDOT would also be required to comply with extensive reporting requirements for the design-build projects that could increase the costs of the projects. It is possible that any cost savings achieved through the design/build concept could be at least partially negated by the increased reporting costs.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Loss</u> - Aviation Fuel Tax	\$0	(\$2,550,000)	(\$5,100,000)
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$2,550,000)</u>	<u>(\$5,100,000)</u>
STATE ROAD FUND			

Department of Transportation			
Increased Application Fees (Billboards)	\$102,900	\$102,900	\$102,900
Increased Renewal Fees (Billboards)	\$121,046	\$261,795	\$402,545
<u>Income</u> - (Branch Office Transaction Fees: 75%)	\$0	\$9,681,841	\$9,681,941
<u>Cost</u> - Removal of cap on Highway Patrol Appropriation	\$0	(\$3,783,000)	(\$7,860,000)
<u>Cost</u> - Programming and Mailing Costs	(\$98,129)	\$0	\$0

ESTIMATED NET EFFECT TO STATE ROAD FUND	<u>\$125,817</u>	<u>\$6,263,536</u>	<u>\$2,327,386</u>
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AVIATION TRUST FUND

<u>Revenue</u> – MoDOT			
Aviation Fuel Tax	<u>\$0</u>	<u>\$2,550,000</u>	<u>\$5,100,000</u>

ESTIMATED NET EFFECT TO AVIATION TRUST FUND	<u>\$0</u>	<u>\$2,550,000</u>	<u>\$5,100,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003	FY 2004	FY 2005
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CITIES AND COUNTIES

Cities - Branch Office Transaction Fees (15%)	\$0	\$1,936,368	\$1,936,368
Counties - Branch Office Transaction Fees (10%)	\$0	\$1,290,912	\$1,290,912

ESTIMATED NET EFFECT ON CITIES AND COUNTIES	<u>\$0</u>	<u>\$3,227,280</u>	<u>\$3,227,280</u>
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FISCAL IMPACT - Small Business

Small businesses would be affected by this proposal.

DESCRIPTION

This act would modify various provisions of law related to transportation.

The proposal would increase fees for motor vehicle transactions performed by fee officers and would, effective July 1, 2003, apply those fees to transactions performed at Department of

Revenue Branch Offices and the Department of Revenue Central Office.

The proposal would repeal the sunset clause on the six-cent increase in the motor fuel tax adopted in 1992.

It would increase the cap on the amount of aviation jet tax revenues which may be deposited in the Aviation Trust Fund. Current law only permits \$5 million of the aviation jet fuel tax revenues to be placed in the fund. This proposal would raise that limit to \$6 million. This act would also extend the sunset on the aviation jet fuel tax section to December 31, 2008. Under current law, the commission may match state funds at a 80% level and locals at a 20% level. This would change to a 90/10 formula. This would also modify the language regarding the deposit of unclaimed aviation fuel refunds. The current law states that "If any person fails to apply for a refund as provided in Chapter 142, RSMo, he makes a gift of his refund to the Aviation Trust Fund." The new language simply states that the refund amount will be deposited in such fund.

This act would make various changes to Missouri's billboard law, including increasing fees.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenue.

SOURCES OF INFORMATION

Department of Transportation
Department of Revenue
Department of Public Safety - Missouri State Highway Patrol
Office of Administration - Division of Budget and Planning

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Acting Director
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